

SCHOOL BUSINESS ALERT

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GAAP & the SBRC

Iowa Code 257 31(4): School districts and area education agencies [shall] conform to generally accepted accounting principles [GAAP] commencing with the school year beginning July 1, 1996 [FY97].

This section of the law also contained two responsibilities:

- (1) The State Board of Education was to write administrative rules regarding GAAP. This was deemed unnecessary because GAAP itself is already codified. Administrative rules would have been redundant.
- (2) The School Budget Review Committee (SBRC) was to consider the implications of GAAP on reporting and make recommendations.

Nothing in the law suggested that the legal requirement to be in conformance with GAAP was limited to their recommendation on reporting.

GAAP & FY96 EXPENDITURES PAID DURING FY97

The requirement to be in compliance with GAAP begins on July 1, 1996. If a district is on the non-GAAP basis for FY96, it reports in FY96 only those expenditures paid by June 30, 1996.

In FY97, all districts report on the GAAP basis, so they only report those expenditures which are related to FY97. This means that certain expenditures which were not paid (or revenues which were not received) by June 30, 1996, but were related to FY96, will never be reported as revenues or expenditures. Instead, these will be shown net as an auditor's adjustment to the beginning fund.

In order to avoid reporting FY96-related revenues or expenditures in FY97, every district reporting on the non-GAAP basis in FY96 will need to know those revenues by source and expenditures by function, program, and object. The district will need to obtain this detail, preferably at the time that the FY96 GAAP balance sheets are prepared for the FY96 CAR, but no later than the time when the FY96 GAAP balance sheets are prepared for the FY96 annual audit by the independent auditor.